

INTERNAL REVENUE SERVICE

March 31, 2000

Number: **INFO 2000-0025**

Release Date: 6/30/2000

UIL: 274.08-00

[REDACTED]

Dear [REDACTED]:

Commissioner Rossotti asked me to respond to your inquiry dated February 23, 2000, concerning the business standard mileage rate published by the Internal Revenue Service (IRS). You are concerned that the year 2000 business standard mileage rate of 32.5 cents per mile has not been adjusted to take recent gasoline price increases into account, which will adversely affect taxpayers who wish to claim an itemized deduction for their automobile expenses.

The business standard mileage rate is based on an annual study of operating and fixed costs of using an automobile. The study is performed by an independent contractor that is an expert in the field of cost analysis. The types of vehicles used in the study represent a cross-section of the most popular models operated in the United States. The contractor has conducted this study for two decades and has consistently taken into account the most reliable and up-to-date data available to reflect a driver's average costs over a year. The study combines this data to achieve national composite rates for operating costs and fixed costs. The IRS announces the mileage rate in advance of the applicable year so that, throughout the year, taxpayers will know the extent to which automobile expenses may be treated as substantiated.

We have seen gasoline and oil prices fluctuate dramatically over the last several years, and we realize that gasoline prices have recently increased. However, as you pointed out in your letter, gasoline prices may decrease later this year. It is not administratively feasible for the IRS to account for these fluctuations, both upwards and downwards, more frequently than annually.

Taxpayers generally will not be claiming itemized deductions for these expenses until after December 31, 2000; by then, gasoline prices may have evened out across the year. In addition, the standard mileage rate is an optional method for calculating automobile expenses. Taxpayers generally may instead claim a deduction for their actual automobile expenses if properly substantiated. We have enclosed a copy of Pub. 463, Travel, Entertainment, Gift, and Car Expenses, which includes information on substantiating these expenses.

I hope this information is helpful. Please contact Edwin B. Cleverdon, Identification Number 50-01366, at (202) 622-4920, if we may be of further assistance.

Sincerely,

Heather C. Maloy
Deputy Associate Chief Counsel
(Domestic)

Enclosure